H. J. Heinz Company

Makers and marketers of the 57 varieties

Annual Report
for year ended
May 2, 1962

FINANCIAL SUMMARY

	Fiscal Year Ended May 2, 1962 52 Weeks	Fiscal Year Ended May 3, 1961 53 Weeks
Net Sales	$375,810,168	$365,989,576
Net Income for the Year	$ 14,165,806	$ 13,614,681
As a Percentage of Net Sales	3.8%	3.7%
Per Share of Common Stock	$ 2.65	$ 2.62
Dividends Paid on Preferred Stock	$ 237,747	$ 255,376
Dividends Paid on Common Stock	$ 5,209,292	$ 4,404,727
Per Share of Common Stock	$ 1.00	$ .86⅔
Net Income Retained in Business	$ 8,718,767	$ 8,954,578
Per Share of Common Stock	$ 1.66	$ 1.75
Total Taxes Charged to Income	$ 22,405,031	$ 19,265,531
Per Share of Common Stock	$ 4.27	$ 3.78
New Capital Obtained	$ 766,139	$ 6,309,403

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Annual Report of

H. J. HEINZ COMPANY

for the year ended May 2, 1962

BOARD OF DIRECTORS

Henry J. Heinz II, *Chairman**
Junius F. Allen*
Frank Armour Jr.*
Frank B. Cliffe
Frederick G. Crabb
R. Burt Gookin*
B. Dent Graham*
Lewis A. Lapham
John A. Mayer
Herbert N. Riley
John T. Ryan Jr.
Frank T. Sherk*
William P. Snyder III

*Members of the Executive Committee

PRINCIPAL CORPORATE OFFICERS

Henry J. Heinz II.................... *Chairman of the Board*
Frank Armour Jr.................................. *President*
B. Dent Graham....... *Executive Vice President—United States*
Junius F. Allen......... *Executive Vice President—International*
R. Burt Gookin...................... *Vice President—Finance*
C. Lee Rumberger............... *Vice President—Development*
Ralph W. Hunter................................ *Secretary*

H. J. HEINZ COMPANY • P. O. BOX 57
PITTSBURGH 30 • PENNSYLVANIA

HEINZ INTERNATIONAL OPERATIONS

MANAGEMENT BOARDS

UNITED STATES

Pittsburgh, Pennsylvania

B. Dent Graham.....*Executive Vice President*

Norman E. Daniels, *Senior Vice President—Administration*
P. Kenneth Shoemaker, *Senior Vice President—Operations*
Frank M. Bretthole......................*Comptroller*
Louis A. Collier..........*General Manager—Marketing*
Charles Heinz...............*Vice President—Personnel*

Ross E. Jones.............*Vice President—Distribution*
John D. Scott....................*Vice President—Sales*

ZONE VICE PRESIDENTS—SALES

Frank G. Barnum..........................Chicago
Robert P. Taylor.........................Philadelphia

DOMESTIC SUBSIDIARY

HACHMEISTER, INC.

McKees Rocks, Pennsylvania

Albert L. Remensnyder..........................*President*
Harvey L. Dunker.................*Executive Vice President*

GREAT BRITAIN

H. J. HEINZ COMPANY, LTD.

London, England

Frederick G. Crabb.....*Managing Director*

Joseph E. Hutchinson........*Deputy Managing Director*
Anthony Beresford................*Sales and Marketing*
John Eccles..............................*Purchasing*
A. Gordon Esslemont.......................*Secretary*
Laurence E. Sullivan...................*Manufacturing*
James A. Wilen............*Research and Quality Control*

CANADA

H. J. HEINZ COMPANY OF CANADA, LTD.

Leamington, Ontario, Canada

Frank T. Sherk.....*President*

Edward V. Anderson...........*Vice President—Services*
J. Ross Crerar..........*Vice President—Manufacturing*
Leonard D. Crimp..............*Vice President—Sales*
Paul E. Gervais.............*Vice President—Marketing*
John M. Page.....*Vice President—Finance and Secretary*

AUSTRALIA

H. J. HEINZ COMPANY, PTY. LTD.

Dandenong, Victoria, Australia

John A. W. Ross..... *Managing Director*

Leonard S. Crowe........................ *Manufacturing*
Henry G. Dennett............................ *Finance*
Fred V. Kellow.................... *Marketing and Sales*
W. Wentworth Watt..................... *Comptroller*

THE NETHERLANDS

H. J. HEINZ N.V.

Elst, Gelderland, Holland

Weldon L. DeWeese.......................... *Director*
Jan J. M. Taminiau.......................... *Director*

BELGIAN SUBSIDIARY

H. J. HEINZ COMPANY (BELGIUM) S.A./N.V.

Brussels, Belgium

VENEZUELA

ALIMENTOS HEINZ C.A.

Valencia, Carabobo, Venezuela

Gerald K. Warner..... *President*

Ernesto Blohm.............................. *Director*
Lewis V. Leggate.................. *Secretary-Treasurer*
Leslie C. Marshall....................... *Manufacturing*
Anthony Rojas................................. *Sales*

JAPAN

NICHIRO-HEINZ COMPANY, LTD.

Tokyo, Japan

Ezio Amemiya................................. *President*
Gilbert E. Morris.................. *Heinz Project Manager*

CHAIRMAN'S REPORT

SALES and profits during our ninety-third year once again pushed upward to new high levels.

Consolidated sales for the year were $375,810,168, the greatest total in our history. This was an increase over last year (when there were 53 weeks) of $9,820,592, or 2.7 per cent.

Consolidated net income, too, set a new record of $14,165,806—this figure being 4 per cent above last year's comparable amount of $13,614,681. After preferred dividends, our income was equivalent to $2.65 per share of common stock, as against $2.62 the year before.

This year, for the first time, consolidated net income has been reported on the basis of excluding unrealized gains and losses arising from the conversion of foreign currencies to dollars. For comparative purposes, previously reported figures have been restated. For some time it has been felt that the nominal or book-keeping recognition of unrealized gains and losses should be kept out of the income statement, because these changes have no effect on operations.

For the fifty-first year in succession, dividends were paid on our common stock, the annual rate of $1.00 a share being maintained. Dividends on preferred stock continued at $3.65 a share.

Dividends paid on common stock during the year totalled $5,209,292, as compared with $4,404,727 the year earlier, reflecting the increase in the dividend rate of February, 1961, as well as the issuance of additional shares.

While the Company's domestic sales were off slightly, net earnings from operations were 9 per cent higher than last year.

As the fiscal year drew to a close, our Pittsburgh factory was shut down by an unfortunate and unnecessary strike. Early in the dispute, the Company made the local union negotiating committee an offer that was economically consistent with the wage and working conditions prevailing in our industry. The local negotiating committee rejected the offer and refused to let the 1,800 employees vote on it. An impartial survey agency retained by the Company ascertained that employees favored accepting the offer and returning to work, by a ratio of about two to one. Still the local union committee refused to submit the offer to its membership. After the strike had lasted for nearly eight weeks, officials of the parent international union took over the negotiations from the local negotiating committee, and subsequently held a meeting of the employees to consider the Company's offer. During this meeting the international officials found it necessary to take over the business affairs of the local union. By a secret ballot, our Pittsburgh factory employees voted about two to one to return to work. The settlement finally agreed to was substantially that offered by Management in the first place.

During the entire period of the strike all our other ten factories in the United States continued their regular operations. However, as the strike wore on, we ran out of stock on numerous items, and this has adversely affected sales for the first few weeks of the 1963 fiscal year.

At all our other factories our labor relations have been excellent for many years. With the new contract for the Pittsburgh factory in effect until March, 1964, we expect to re-establish the good employee relations of the past.

I am glad to report that our food technologists and nutritional scientists have developed a vastly improved method of producing baby food. With this method, Heinz baby food retains more nutritional values, tastes better, looks better, and is more economical to produce than ever before. So superior is the new patented process that, for all intents and purposes, we have created a new baby food.

We have announced this technological achievement with a promotional campaign which is the largest that Heinz has ever used. We are proud of this significant scientific advance achieved at the Heinz Research Center.

Once again the British company established new sales and earning records. A contract for the construction of a new British company administrative and research headquarters at Hayes Park, near London, has been signed and work will begin immediately. These modern facilities will permit an expanding scale of research for tomorrow's requirements in both the United Kingdom and Europe.

The Australian company has continued its gratifying progress. Heinz in Canada had a remarkably successful year, despite prevailing unfavorable economic conditions. Our company in the Netherlands continues to make progress in a highly competitive market. The first full year's operation of our new factory in Venezuela has justified our decision to establish production facilities in that country.

During the year we formed a new Japanese company for the manufacture and marketing of the Heinz 57 Varieties in Japan. Known as Nichiro Heinz Company Ltd., it will be owned jointly by Heinz and Nichiro Fisheries Company Ltd., of Tokyo, a leading processor and marketer of fish products in Japan. H. J. Heinz Company owns 49 per cent of the capital stock of the new company.

At the Annual Meeting last autumn, two prominent Pittsburgh industrialists were added to our Board of Directors: Mr. John T. Ryan Jr., president of Mine Safety Appliances Company, and Mr. William P. Snyder III, president of The Shenango Furnace Company.

Our business is fully attuned, we think, to the tremendous changes that are taking place in the manufacturing and marketing of processed food, whether in the United States or elsewhere in the world. We go forward in the conviction that our rate of progress will at least equal—and will often set the pace for—that of our growing industry.

Henry J. Heinz II

Chairman of the Board

OPERATIONS REPORT

United States

Sales for the year dipped slightly below those for the year before, because this year had 52 weeks compared with 53 weeks in the previous year, and because of the steady tightening of competition. However, as a result of careful control over costs, profits from operations increased 9 per cent.

During recent months we have effected a comprehensive reorganization of our field sales forces. Each year sees more sales concentrated in fewer retail outlets, with the result that today some 33,700 supermarkets—both chain and independent—account for 70 per cent of the total grocery business in the United States. The re-structuring of our sales organization will enable us to serve these important customers more economically.

Similarly, in our Hotel, Restaurant and Institutions division, we have made a change in our field marketing structure parallel with that in the grocery divisions. The new organization will better serve the needs of this important segment of the food business.

Marked progress in food-processing technology was made by Heinz during the year. We introduced the new method of processing baby food that has been described in the Chairman's report. This is a major breakthrough. At Pittsburgh we have completed a new kitchen which will increase the production capacity for soup and baby food by 40 per cent. This modern facility houses the new cooking process for baby foods. It also contains equipment for improving the quality of meat soups, as well as providing increased efficiency in production.

We are completing a major rebuilding of our factory in Muscatine, Iowa—the first factory that Henry J. Heinz built outside of Pittsburgh, back in 1892. This construction will vastly improve our production flexibility and capacity and will permit increased year-around operations at Muscatine. We are constructing a flood-control system to avoid damages from flash floods such as occurred last year.

Successful experiments with machine-harvesting and bulk-handling of tomatoes at Tracy, California, and at Muscatine last year have encouraged us to extend these

operations. In the past, tomatoes have been brought from the fields in 33 to 50 pound containers. This year in California tomatoes from more than 500 acres will be machine-harvested and taken from the fields in bins holding 1,000 pounds, resulting in lower handling costs.

Heinz Ketchup once again set a new high in its share of the market. The consumer continues to show a predominant and overwhelming preference for Heinz Ketchup.

During the year, besides introducing the new baby food process, we continued to maintain and further consolidated our leadership in the baby food industry as the chief innovator of new varieties. Among the new varieties—whose presence on the shelves strongly attracts mothers to our whole line—are Strained Tuna with Noodles, Strained Squash and Sweet Potatoes, Strained Apples and Pears, Strained Apples and Cranberries, and Strained Apple Cherry Juice. Five companion Junior foods were also introduced.

Four new rich, meaty soups, in a higher price bracket, went into test markets last fall in Louisville, Grand Rapids and Milwaukee. Because of their favorable acceptance by consumers, we will extend their sale to other markets. These condensed soups are: New England Clam Chowder, Lima Bean with Ham and Bacon, Lentil with Wieners and Bacon, and Hamburger Soup. Other soups of similar high quality will be added to this line.

Heinz Piccalilli has moved from test market to national distribution. Other new products introduced during the year are Polish Style Dills, Fresh Pack Dill Pickles, and Genuine Dill Chunks. One of the most interesting new products just moving into test markets is Dutch Recipe Sandwich Spread.

The Heinz exhibit at the Seattle World's Fair has been well attended. People queue up in long lines to receive a souvenir Heinz Pickle Pin. The original pickle pin was conceived by the Founder, Henry J. Heinz, for distribution at the Columbian Exposition in Chicago in 1893. More than 75 million have been distributed in the intervening 70 years.

Just after the end of the fiscal year, Mr. C. Lee Rumberger, formerly Vice President—Research and Quality Control, was appointed to the newly created position of Vice President—Development.

Mr. P. Kenneth Shoemaker, Vice President—Manufacturing, has been appointed to the newly created position of Senior Vice President—Operations. Mr. Norman E. Daniels, Vice President—Purchases, has been appointed to the newly created position of Senior Vice President—Administrations. In his new post Mr. Shoemaker will be responsible for the Manufacturing, Engineering, Scheduling and Supply, Research, and Quality Control functions. Mr. Daniels will be responsible for the Distribution, Personnel, Agriculture, Office Service and Purchasing functions.

The business of Hachmeister, Inc., a wholly owned subsidiary acquired during the year, is progressing satisfactorily.

Great Britain

The British company maintained its unbroken record of progress in sales volume, exceeding that of the previous year. It also set a new record on net earnings, despite the higher corporate taxes that were imposed by the British government just before the fiscal year began.

The company's leading market position was well maintained. Conditions during the year have been especially active in the competitive, growing soup market. In spite of heavy expenditures by competitors, the company has increased its share of the market to a new high level. Five new soup varieties were introduced during the year.

Sales of baby foods again increased substantially, maintaining our predominant place in the market. The baby food line has been further extended by 9 varieties.

An important step forward in our sales organization has been the appointment of specialist sales managers with responsibilities for the further development of the multiple, co-operative wholesale grocery outlets and hotel-and-restaurant sections of the business.

An exhaustive study has been completed of the company's distribution system and practices relating to the planning and control of finished goods inventories. The successful conclusion of this study should result in immediate cost reductions and, as the new systems become effective, in further long term savings.

In the early part of the year the company purchased the buildings and the 28-acre site of the Standish Factory, which had been leased from the Ministry of Supply. The modernization of Harlesden Factory continued according to schedule. A new finished goods warehouse has been completed at Kitt Green. The detailed planning phase of the company's new Research and Administrative Buildings at Hayes Park was successfully completed during the year, and construction will commence this summer.

The British company in October elected as directors Mr. Laurence E. Sullivan, General Manager—Manufacturing, and Mr. James A. Wilen, General Manager—Research and Quality Control.

Canada

Sales of the Canadian company reached a new peak, increasing at a greater rate than total food sales of the country. Net income also increased to a new high.

The company's share of the market was maintained or

increased for its major lines. Ketchup and spaghetti sales continued at the high share-of-market recorded in the previous year, and tomato juice sales and market position showed an improvement. Baby food sales volume and market share reached new highs, although total industry baby food sales were down.

We maintained a strong media advertising program, accompanied by increased merchandising at the store level.

In March of this year the Canadian company announced a long-range building program. Construction of the first buildings is scheduled to start this fall and to be completed early in 1964. Over the years, adjacent land has been acquired so that the Leamington site has been increased from 32 acres in 1952 to its present 145 acres.

Modernization of present manufacturing facilities is progressing in conformity with our long-range plans. During the past year improvements were made in the procurement and manufacturing operations for tomato, spaghetti, infant cereal and pickle products.

Australia

Sales of the Australian company exceeded all previous records. Net income was also at an all-time high, although the economic climate during the year was less favorable than had been anticipated.

Budgetary and monetary restraints imposed by the Australian government in October 1960 with the objective of curtailing inflation dampened down the national economy to a greater degree than had been expected. Credit restrictions caused a major decline in the sales of motor vehicles, consumer durables and soft goods. With some faltering of business confidence, unemployment reached 3.1 per cent of the work force as compared with the over-employment during the previous decade.

Aggressive marketing programs enabled the company to improve or hold market shares in all major product groups despite increased competition both in pricing, give-away deals and other promotional activities.

We have completed a re-organization of our sales and marketing division. Sales terms have been revised to make available to buyers economies resulting from their increased central purchasing and handling of our merchandise.

Baby food sales have again grown substantially. Four varieties of baby cereals are now produced and have been well received by consumers. Ten new strained and junior food varieties have been added to our line of baby foods, which now total 90 varieties. Our line of Condensed Soups has been increased to 18 varieties by the addition of Bean with Bacon, Vegetable Beef, Turkey Noodle and Chicken Rice. Nine more baby foods and eight other products are ready for production, and other varieties are in various stages of development.

The tomato season just completed met our requirements. Weather conditions proved most favorable, with contract crop yields above average.

The Netherlands

Our upward sales trend has continued in the Netherlands. Sales growth also continued upward in Belgium and in our exports to Germany. Both countries are members of the European Common Market and are supplied by our factory in the Netherlands.

Our share of the market for the principal Heinz varieties —baby food, canned soup and ketchup—showed improvement. The rapid growth of the canned soup market in the Netherlands, Belgium and Germany continued, and we introduced a second size tin of soup to take advantage of this growth.

The first "Heinz Week" sale ever held in the Netherlands was staged by a leading chain with 365 stores throughout the country. The sale was very successful, and led to additional "Heinz Week" sales by other customers.

During the year we introduced one new soup, five strained baby foods and three junior foods into the Dutch and Belgian markets. In addition, four soup varieties prepared especially for the German market were introduced.

Venezuela

Our facilities in Venezuela, completed early in the fiscal year, are a handsome addition to the Heinz International establishments.

Perhaps the most important accomplishment in the past year was the development of our organization. People had to be recruited, selected and trained in every area of our business. We now have an organization of about 200 employees, of whom more than 90 per cent are Venezuelans. Most of them have had a year's experience learning their respective jobs. We are pleased by the development and caliber of our personnel.

Sales increased significantly over the previous year. About 95 per cent of these sales were of Heinz products made in Venezuela. During the year 44 different varieties were produced in quantity. All but 10 per cent of the raw materials, ingredients, and packaging materials used in production were of Venezuelan origin.

The past year may be considered as the establishment year for Alimentos Heinz C.A., and the coming year should be one of consolidation and better utilization of our strengths with resulting improvements in sales and profitability.

H. J. HEINZ COMPANY

AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

	Fiscal year ended May 2, 1962 (52 Weeks)	Fiscal year ended May 3, 1961 (53 Weeks)
NET SALES	$375,810,168	$365,989,576
COST OF SALES	237,558,075	233,924,601
GROSS PROFIT	138,252,093	132,064,975
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (including management profit sharing plan, $2,393,901 in 1962; $2,292,029 in 1961)	103,177,712	101,136,825
OPERATING PROFIT (after provision for depreciation of $6,573,823 in 1962; $6,275,722 in 1961)	35,074,381	30,928,150
OTHER INCOME, NET	392,480	1,346,374
	35,466,861	32,274,524
OTHER DEDUCTIONS—interest and amortization of debt discount and expense	2,822,941	3,182,353
	32,643,920	29,092,171
PROVISION FOR TAXES ON INCOME:		
Federal normal and surtax	6,464,009	5,830,140
Foreign income taxes	11,181,350	8,853,385
	17,645,359	14,683,525
	14,998,561	14,408,646
DEDUCT Income applicable to minority interests	832,755	793,965
NET INCOME for the year	$ 14,165,806	$ 13,614,681

(See accompanying notes to financial statements.)

H. J. HEINZ COMPANY

AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

CAPITAL SURPLUS	Fiscal year ended May 2, 1962	Fiscal year ended May 3, 1961
AMOUNT AT BEGINNING OF YEAR	$ 7,288,041	$ 6,470,048
EXCESS OF PAR VALUE of common stock of "pooled" subsidiary over par value of common stock issued therefor (Note 1)	207,500	—
AMOUNT AT BEGINNING OF YEAR, as adjusted	7,495,541	6,470,048
EXCESS OF PAR VALUE over cost of preferred stock retired	41,333	79,332
EXCESS OF OPTION PRICE over par value of 28,050 shares (7,750 shares in 1961) of common stock issued under employees' incentive stock option plan (Note 4)	532,389	147,095
EXCESS OF REDEMPTION VALUE over cost of preference stock retired (British subsidiary)	39,017	—
EXCESS OF MARKET VALUE over par value of common stock issued to acquire a business	—	591,566
AMOUNT AT END OF YEAR	8,108,280	7,288,041
EARNED SURPLUS		
AMOUNT AT BEGINNING OF YEAR	89,259,571	82,110,895
EARNED SURPLUS of "pooled" subsidiary (Note 1)	2,642,665	—
DEDUCT EXCESS of unrealized gains over unrealized losses on foreign exchange (Note 1)	—	1,805,902
AMOUNT AT BEGINNING OF YEAR, as adjusted	91,902,236	80,304,993
ADD NET INCOME FOR THE YEAR	14,165,806	13,614,681
	106,068,042	93,919,674
DEDUCT DIVIDENDS PAID:		
On preferred stock—3.65% series	237,747	255,376
On common stock—$1.00 per share; 86⅔¢ per share in 1961	5,209,292	4,404,727
	5,447,039	4,660,103
AMOUNT AT END OF YEAR	$100,621,003	$ 89,259,571

(See accompanying notes to financial statements.)

H. J. HEINZ COMPANY

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	May 2, 1962	May 3, 1961
CURRENT ASSETS:		
Cash and short-term investments	$ 18,474,940	$ 13,367,292
Marketable securities (quoted market value $507,900)	550,000	—
Accounts receivable:		
Trade, less allowance for doubtful accounts	23,904,916	21,178,648
Sundry	1,059,830	943,952
Inventories—at average cost or replacement market, whichever lower:		
Finished goods	76,015,110	74,243,641
Work in process	5,257,315	5,566,318
Ingredients and packaging materials	34,645,191	39,628,705
	115,917,616	119,438,664
Prepaid insurance, supplies, taxes and sundry	4,615,250	3,966,143
Total current assets	164,522,552	158,894,699
OTHER ASSETS—miscellaneous	2,443,954	1,602,422
FIXED ASSETS:		
Land—at cost	4,398,679	4,172,019
Buildings and leasehold improvements—at cost, less accumulated depreciation of $17,389,211 in 1962; $15,891,371 in 1961	56,248,271	51,602,963
Equipment and fixtures—at cost, less accumulated depreciation of $44,456,441 in 1962; $40,153,780 in 1961	56,215,522	54,603,167
Lug boxes, baskets and pallets—at cost, less amortization	1,261,735	1,349,157
	118,124,207	111,727,306
	$285,090,713	$272,224,427

(See accompanying notes to financial statements.)

H. J. HEINZ COMPANY

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES, CAPITAL STOCK AND SURPLUS

	May 2, 1962	May 3, 1961
CURRENT LIABILITIES:		
Notes payable and loans on open credit (including portion of long-term debt due within one year)	$ 3,744,811	$ 6,134,906
Accounts payable and accrued expenses	27,220,859	27,146,359
Estimated liability for Federal and foreign taxes on income	13,843,633	11,606,650
Total current liabilities	44,809,303	44,887,915
LONG-TERM DEBT AND OTHER LIABILITIES:		
Long-term notes (Note 2)	49,284,710	51,251,787
Liabilities under management profit sharing plan, less portion payable within one year	11,059,594	9,980,706
Other non-current liabilities	7,643,349	6,601,995
	67,987,653	67,834,488
RESERVE FOR POSSIBLE FOREIGN EXCHANGE LOSSES (Note 1)	700,672	1,338,639
MINORITY INTERESTS	12,596,885	12,374,106
CAPITAL STOCK AND SURPLUS:		
Cumulative preferred stock—authorized 165,075 shares—par value $100 per share—issuable in series:		
3.65% series—authorized, issued and outstanding 65,075 shares in 1962; 67,535 shares in 1961 (Note 3)	6,507,500	6,753,500
Common stock—authorized 6,600,000 shares—par value $8.33⅓ per share—issued and outstanding 5,251,130 shares in 1962; 5,098,580 shares in 1961 (Note 4)	43,759,417	42,488,167
Capital surplus	8,108,280	7,288,041
Earned surplus (Notes 1 and 2)	100,621,003	89,259,571
	158,996,200	145,789,279
	$285,090,713	$272,224,427

(See accompanying notes to financial statements.)

H. J. HEINZ COMPANY

AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) *Principles of consolidation:*

The consolidated financial statements include the accounts of the Company and all subsidiary companies. Consolidated net assets were located as follows:

	May 2, 1962	May 3, 1961
Western Hemisphere:		
United States	$ 83,969,862	$ 74,446,477
Other	19,151,376	20,697,790
	103,121,238	95,144,267
Eastern Hemisphere:		
British Commonwealth	53,900,722	49,680,321
Other	1,974,240	964,691
	55,874,962	50,645,012
	$158,996,200	$145,789,279

Except for property, plant, equipment and most long-term debt, assets and liabilities of the foreign subsidiaries have been converted on the basis of official or other appropriate exchange rates prevailing at the end of the fiscal year. Foreign property, plant, equipment and long-term debt have been converted on the basis of exchange rates prevailing at the time of acquisition. The realization in U. S. dollars of assets located outside the United States is limited in certain instances by currency and other restrictions. Operating accounts (other than depreciation which was based upon the approximate equivalent dollar cost of fixed assets) were converted at average rates of exchange prevailing during the fiscal year.

In the fiscal year ended May 2, 1962, the net unrealized loss on foreign exchange has been charged against the reserve for possible foreign exchange losses. Such reserve, representing the net excess of unrealized gains over unrealized losses on foreign exchange heretofore included in consolidated income, has been transferred from earned surplus. The financial statements for the fiscal year ended May 3, 1961 have been restated to reflect such change. The effect of this change was to increase consolidated net income for the fiscal years ended May 2, 1962 and May 3, 1961 by $637,967 and $467,263, respectively, and to decrease earned surplus at April 27, 1960 by $1,805,902. In future years, unrealized gains on foreign exchange will be credited to the reserve and unrealized losses on foreign exchange will be charged to the reserve to the extent available.

Of the consolidated net income for the year, $9,125,301 originated from foreign subsidiaries and the income of the Company from dividends from foreign subsidiaries during the year amounted to $4,389,152.

On June 30, 1961, the Company exchanged 124,500 shares of its common stock for all the outstanding stock of Hachmeister, Inc. For accounting purposes, this transaction was treated as a pooling of interests and the operations of Hachmeister, Inc. have been included in the statement of consolidated income for the entire fiscal year ended May 2, 1962. Their sales and net income are not significant in relation to the consolidated amounts.

(2) *Long-term notes:*

Details of long-term notes at May 2, 1962 are as follows:

	Interest per cent	Maturity (fiscal year)	Portion due Non-current	Portion due Current
Company:				
Promissory notes	2.90	1963-69	$ 7,800,000	$ 990,000
Promissory notes	4⅞	1965-84	20,000,000	—
Subsidiaries:				
Promissory notes (Australia)	4¼	1963-76	7,836,144	186,296
Promissory notes (Venezuela)	9	1967-72	1,822,805	—
Debentures (British Isles)	6	1965-84	5,640,000	—
Debentures (British Isles)	5½	1966-85	5,610,000	—
Installment note (Holland)	2	1963-68	575,761	132,160
			$ 49,284,710	$ 1,308,456

Under note agreements, dated April 1, 1959, providing for the issue of $20,000,000 of 4⅞% 25-year notes due April 1, 1984 fixed annual prepayments of principal of $1,000,000 are required to be made commencing April 1, 1965. Additional prepayments may be made at the option of the Company at specified premium rates or, under specified conditions, at no premium. In addition to restrictions relating to additional indebtedness, mortgages and liens, purchase and redemption of capital stock and other restrictions, the note agreements contain provisions against the payment of dividends by the Company upon its common stock (otherwise than in its own capital stock) if such dividends, together with purchases, payments to the sinking fund and dividends in respect of presently authorized cumulative preferred stock and amounts expended by the Company or any subsidiary for purchase or other acquisitions of any class of the Company's stock, since October 29, 1958 would exceed consolidated net income after October 29, 1958 plus the sum of $7,500,000 and, further, if the sum of consolidated funded debt and consolidated discounted lease rentals would exceed fifty per cent of consolidated capital and surplus after giving effect to such dividend payments. The portion of consolidated earned surplus at May 2, 1962 which was not thereby restricted was $34,479,149.

The 2.90% notes, dated February 24, 1949, also contain various restrictions which are more than covered by the provisions of the 4⅞% 25-year notes.

The 6% debentures, issued by the subsidiary located in the British Isles, contain provisions requiring annual sinking fund payments, commencing January 31, 1965, approximating $76,700 plus interest for one year. Prepayment of the entire indebtedness, or a portion thereof, may be made on January 31, 1975 with a 3½% premium and at decreasing premium rates thereafter.

The 5½% debentures, issued by the subsidiary located in the British Isles, contain provisions requiring annual sinking fund payments, commencing January 31, 1966, approximating $80,600 plus interest for one year. Prepayment

of the entire indebtedness, or a portion thereof, may be made on January 31, 1976 with a 3½% premium and at decreasing premium rates thereafter.

(3) *Cumulative preferred stock:*

The 3.65% series cumulative preferred stock is, until October 1, 1963, callable at $103.75 per share or redeemable through the sinking fund at a maximum of $103.25 per share and at decreasing prices thereafter. A payment, not exceeding $200,000, is required to be made to the sinking fund on or before October 1 of each year.

(4) *Common stock options:*

At May 2, 1962, 110,200 shares of common stock were subject to outstanding options under the employees' incentive stock option plan and 109,000 additional shares were reserved for purposes of the plan and not subject to options. Options are granted at not less than 95% of fair market value at date of grant and, with certain exceptions, may be exercised to the extent of 25% thereof at the time of grant and 25% annually thereafter. During the fiscal year, options were exercised for 28,050 shares at $27.31⅓ per share. Shares subject to option at May 2, 1962 ranged in price from $27.31⅓ to $62.50 per share.

(5) *Retirement systems:*

The amount charged to income by the Company and its consolidated subsidiaries for the year aggregated $2,046,314 with respect to past service and current service costs. Unfunded past service costs at May 2, 1962 amounted to approximately $2,723,000 and such costs are currently being funded over a twenty-year period.

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

HENRY W. OLIVER BUILDING

PITTSBURGH 22, PA.

ACCOUNTANTS' REPORT

To the Stockholders
H. J. Heinz Company:

We have examined the consolidated balance sheet of H. J. Heinz Company and subsidiaries as of May 2, 1962 and the related statements of income and surplus for the fiscal year then ended. Our examination, which included the Company and its subsidiaries located in the Western Hemisphere, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As regards the subsidiaries located in the Eastern Hemisphere, which are of major importance and which we did not examine, we have been furnished with reports of other independent accountants and such accounts are incorporated in the accompanying consolidated financial statements, as indicated in Note 1.

In our opinion, based on our examination and on the reports of other independent accountants, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of H. J. Heinz Company and subsidiaries at May 2, 1962 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change, which we approve, in the treatment of unrealized gains and losses arising from the conversion of foreign currencies to United States dollars, as explained in Note 1 to the financial statements.

Peat, Marwick, Mitchell + Co.

Pittsburgh, Pa.
June 15, 1962

H. J. HEINZ COMPANY

AND SUBSIDIARIES

SUMMARY OF INCOME STATEMENTS

	FISCAL YEARS ENDED		
	May 2, 1962 52 Weeks	May 3, 1961 53 Weeks	April 27, 1960 52 Weeks
Net sales	$375,810,168	$365,989,576	$340,223,700
Cost of sales	237,558,075	233,924,601	223,071,491
Gross profit	138,252,093	132,064,975	117,152,209
Selling, general and administrative expenses (including management profit sharing plan)	103,177,712	101,136,825	89,159,165
	35,074,381	30,928,150	27,993,044
Other income (b)	392,480	1,346,374	951,597
	35,466,861	32,274,524	28,944,641
Other deductions—including interest expense (b)	2,822,941	3,182,353	2,683,362
	32,643,920	29,092,171	26,261,279
Provision for taxes on income	17,645,359	14,683,525	13,209,540
	14,998,561	14,408,646	13,051,739
Deduct Income applicable to minority interests	832,755	793,965	763,924
Net income for the year	$ 14,165,806	$ 13,614,681	$ 12,287,815
Balance of net income per share of common stock—after preferred dividends (a)	$2.65	$2.62	$2.37
Cash dividends per share of common stock (a)	1.00	.86⅔	.73⅓
Shares of Common Stock outstanding at end of year (a)	5,251,130	5,098,580	5,066,691

(a) Adjustments have been made for 1960 and prior years to give effect to the 3 for 1 stock split of February, 1961.
(b) Amounts for 1961 and prior years have been adjusted to exclude unrealized gains and losses on foreign exchange.

H. J. HEINZ COMPANY

AND SUBSIDIARIES

SUMMARY OF INCOME STATEMENTS

FISCAL YEARS ENDED

April 29, 1959	April 30, 1958	May 1, 1957	May 2, 1956	April 27, 1955	April 28, 1954	April 29, 1953
52 Weeks	52 Weeks	52 Weeks	53 Weeks	52 Weeks	52 Weeks	52 Weeks
$316,856,669	$293,811,817	$278,852,384	$262,425,046	$234,179,207	$220,632,934	$219,573,998
209,296,050	197,989,165	181,927,571	170,487,408	151,890,465	149,499,095	147,268,476
107,560,619	95,822,652	96,924,813	91,937,638	82,288,742	71,133,839	72,305,522
83,632,375	75,757,981	74,793,849	70,121,011	62,740,130	57,374,877	58,167,806
23,928,244	20,064,671	22,130,964	21,816,627	19,548,612	13,758,962	14,137,716
337,645	394,633	564,637	1,258,723	639,026	80,112	310,531
24,265,889	20,459,304	22,695,601	23,075,350	20,187,638	13,839,074	14,448,247
2,298,443	2,113,533	1,256,512	916,607	1,490,028	1,328,699	1,234,948
21,967,446	18,345,771	21,439,089	22,158,743	18,697,610	12,510,375	13,213,299
10,139,971	8,345,756	10,356,591	10,907,900	9,147,265	6,657,155	7,374,583
11,827,475	10,000,015	11,082,498	11,250,843	9,550,345	5,853,220	5,838,716
816,694	778,748	720,680	675,035	604,447	311,884	291,983
$ 11,010,781	$ 9,221,267	$ 10,361,818	$ 10,575,808	$ 8,945,898	$ 5,541,336	$ 5,546,733
$2.12	$1.76	$1.99	$2.03	$1.70	$1.03	$1.03
$.73\frac{1}{3}$	$.73\frac{1}{3}$	$.66\frac{2}{3}$	.60	.60	.60	.60
5,066,691	5,066,691	5,066,691	5,066,691	5,066,691	5,066,691	5,066,691

HEINZ PRODUCTS—"57 VARIETIES" MARKETED IN THE UNITED STATES

Beans	Pork and Beans in Tomato Sauce; Boston Style Beans with Pork and Molasses Sauce; Vegetarian Beans in Tomato Sauce; Beans in Molasses Sauce; Campside Beans
Condensed Soups	Split Pea Soup; Cream of Pea Soup; Cream of Mushroom Soup; Tomato Soup; Cream of Celery Soup; Beef Noodle Soup; Alphabet Soup; Bean Soup; Consomme; Chicken Gumbo Soup; Chicken Soup with Rice; Chicken Noodle Soup; Chicken Vegetable Soup; Cream of Chicken Soup; Cheese Soup; Chili with Beef Soup; Clam Chowder Soup; Minestrone Soup; Beef, Vegetable and Barley Soup; Tomato Rice Soup; Vegetable Beef Soup; Vegetable Soup; Vegetarian Vegetable Soup; Turkey Noodle Soup
Minute Meals	Chicken Noodle Dinner; Macaroni Creole; Spanish Rice; Beef Stew; Chicken Stew with Dumplings; Beans and Franks; Spaghetti with Meat Sauce; Noodles with Beef
Pickles	Genuine Dill Pickles; Processed Dill Pickles; Kosher Dill Pickles; Fresh Cucumber Pickles; Hamburger Slices; Piccalilli; Sweet Pickles; Sweet Gherkins
Relishes	India; Sweet; Hot Dog; Hamburger; Barbecue
Onions	Sweet; Spiced; Cocktail
Baby Foods	Instant Cereal (5 varieties); Baby Fruit Juices (11 varieties); Strained Baby Foods (40 varieties); Strained Meats (8 varieties); Strained High Meat Dinners (6 varieties); Junior Foods (33 varieties); Junior Meats (5 varieties); Junior High Meat Dinners (6 varieties); Junior Meat Sticks
Tomato Products	Tomato Ketchup; Hot Ketchup; Chili Sauce Tomato Juice: Regular; Concentrated
Mustard	Brown; Yellow
Sauces	Savory; Barbecue; Worcestershire; "57"; Mustard Sauce; Instant Horse Radish
Vinegars	Cider; White; Malt; Tarragon; Salad; Wine
Blennd	Orange-Lemon Fruit Drink Concentrate
Others	Spaghetti, Tomato Sauce and Cheese; Macaroni with Cheese Sauce; Apple Sauce; Chili Con Carne with Beans

Similar varieties are manufactured and marketed by Heinz in other countries

HACHMEISTER PRODUCTS—"HAKO"

MANUFACTURED FOR THE BAKING INDUSTRY IN THE UNITED STATES AND EXPORT MARKETS

Bread Emulsifier	Doughnut Mixes	Cake Icings
Cake Emulsifier	Yeast Food	Boiled Icings and Glazes for Sweet Rolls
Monoglycerides	Bread Pan Oils	Mixes for Sweet Rolls and Coffee Cakes

TRANSFER AGENTS

The First National City Bank of New York, New York
Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania

REGISTRARS

Morgan Guaranty Trust Company of New York, New York
Pittsburgh National Bank, Pittsburgh, Pennsylvania

DIVIDEND DISBURSING AGENT

Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania

ANNUAL MEETING

The annual meeting of the shareholders of the Company will be held at 2 p.m. on Friday, September 14, 1962, at the Executive Offices of the Company, at Heinz and Progress Streets, in Pittsburgh. A formal notice of the meeting, together with a proxy statement and form of proxy, will be sent to each shareholder about August 10.

Litho in U.S.A.

H. J. HEINZ COMPANY
P. O. BOX 57, PITTSBURGH 30, PENNSYLVANIA

PITTSBURGH PENNA.

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